

Minutes of the Regular Work Session of the  
Board of Mayor and Aldermen, City of Kingsport, Tennessee  
Tuesday, June 15, 2010, 4:00 PM  
Council Room – City Hall

PRESENT:

Board of Mayor and Aldermen

Mayor Dennis R. Phillips

Alderman Valerie Joh

Vice-Mayor Benjamin K. Mallicote

Alderman Charles K. Marsh, Jr.

Alderman Tom C. Parham

Alderman Jantry Shupe

City Administration

John G. Campbell, City Manager

J. Michael Billingsley, City Attorney

James H. Demming, City Recorder

1. **CALL TO ORDER:** 4:00 p.m., by Mayor Phillips.
2. **ROLL CALL:** By Deputy City Recorder Gilbert. Absent: Alderman Larry A. Munsey.
3. **WORK SESSION TICKLER.** Alderman Joh shared she has learned a carousel framework has been located, for free, in Knoxville and she commended Thomas Construction Company for being on track to complete the Harbor Chapel Road project by late June, prior to the July 10<sup>th</sup> projected date.

Public Works Director Ryan McReynolds, in response to inquiries from Alderman Marsh, stated that the Memorial Boulevard waterline project is scheduled for completion by August 1, 2010 and Netherland Inn Terrace street light installation should be installed within the next few weeks, having just received the necessary approval from CSX. Mr. Marsh asked that the Netherland Inn Terrace project be added to the tickler, until completed.

***At this time, Mayor Phillips directed Board members to Agenda Item VI.D.16 regarding the Netherland Inn Road Roundabout. Alderman Marsh requested to review Item VI.D.19 first to get a comparison.***

4. **REVIEW OF AGENDA ITEMS ON JUNE 15, 2010 REGULAR BUSINESS AGENDA.** City Manager Campbell, members of staff and community members provided a summary or presentation for each item on the proposed agenda. Those items the Board discussed at greater length or which received specific questions or concerns included:

**VI.D.19 Consideration of a Resolution to Approve the Offer and Authorize the Mayor to Execute all Documents Necessary for the Acquisition of Property Located at 1715 Netherland Inn Road (AF: 194-2010).** Assistant to the City Manager Chris McCart provided an illustration of the location of the Fritz property and background details on the agreed purchase price of the appraised value of \$35,000. At Mr. Marsh's request, he described the property as a vacant lot that fronts Netherland Inn Road and is, as Mr. Marsh

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pointed out, about one-third the size of the Ward property involved in Agenda Item VI.D.16. The adjacent, larger parcel of Ward property has more road frontage, a structure on it as well as an operating business. Alderman Marsh indicated he has no problem with the price paid for the Fritz property but would like to refer to it as a comparison for the Ward property purchase price.

**VI.D.16 Consideration of a Resolution to Condemn in Fee Property for the Netherland Inn Road Roundabout Project** (AF: 191-2010). Mayor Phillips would like to avoid condemnation of the Ward, if at all possible but pointed out the huge chasm between the two figures being discussed between the City and the Wards; namely, the City's appraisal of \$110,000 and the Ward's asking price of \$450,000.

In further discussion, Mr. McCartt stated that two appraisals have been done on the property. The first was done two years ago and value the property at \$90,000. A second appraisal, done in the fall of 2009, came back at \$110,000 and the second value is what the City has been using to reach an agreeable purchase price with the Ward family. The City has offered to pay \$140,500 to the Ward, with the additional \$30,500 reflecting a five percent (5%) increase over the appraisal price and covering anticipated costs to relocate the business' equipment for the milling operation for Ward's Feed Store. Mr. McCartt has been working with the Wards the last 18 months, along with looking for and recommending sites to find a fit for them and for their business.

Mr. McCartt explained further that, as the City has moved forward with the roundabout project, no agreement has been reached on a price for the property and this action would allow the City to move ahead with this project. In an attempt to avoid having to use the condemnation process, earlier today he discussed with Alan and Larry Ward the option of selecting a third appraiser from the City's approved appraiser list with the hope of coming to an agreed upon value and price.

It was brought up that the price paid for the *Chuck's Drive In* property located across the street was around \$135,000 and the purchase of Stricklers' property came in higher than Wards because of the structures on that site.

Mayor Phillips asked Larry Ward to address the Board. Mr. Ward said the family feed store business has been in Kingsport for 64 years. He made comparisons between the Fritz property that fronted only Netherland Inn Road with the Ward property that fronted both Industry Drive (140') and Netherland Inn Road (188'). He indicated the hold up on settling on a price was based on the fact that the City had paid \$16 per square foot for the Strickler property and is now offering around \$5 per square foot for the Ward property. It is not the Ward's intention to hold out for an exorbitant price but computed their asking price at \$15.20 per square foot.

Mayor Phillips said the condemnation process, if used, which would allow a judge to determine a fair market price, based on the appraisals. He asked if they would be willing, and Larry Ward agreed, to get a third appraisal from someone the Wards selected and further offered that the City would deal separately with Alan Ward on covering the expense

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of relocating the milling business and associated equipment. It was pointed out that Mr. Jud Brownell did the initial appraisal and Ms. Nancy Point did the more recent, review appraisal, which leaves two other appraisers to pick from on the City list.

Further Board discussion covered using the purchase prices paid by the City for three nearby properties to reach an agreed-upon purchase price between the parties and avoid condemnation. If no agreement is reached, the City will have only two options: 1) cancel the roundabout project or 2) or obtain this property to move forward. Conversation pointed out that the third appraisal, done at City's expense, will cost another \$1500 to \$2500 and whether the Board should approved the condemnation option while moving forward with the third appraisal offer to avoid any further delay in the project.

Mr. McCartt informed the Board he would provide the City's list of appraisers to Alan Ward tomorrow morning. In response, Larry Ward returned that Mr. McCartt had done a good job of keeping them informed throughout the negotiation process.

Alan Ward expressed concern that, if the BMA approved the condemnation proceeding, his business would be shut down and he would have to come up with the funds to move equipment, as well as find a site on which to do so. The Industry Drive business currently manufactures several private brand products that are sold retail at the downtown family feed store and cannot be out of production, without causing economic harm.

City Attorney Billingsley, when asked, informed Board members that, if condemnation is commenced, the process would take somewhere between 30 and 45 days. Alderman Marsh opined that he does not see this project as essential enough to take a private business owner's property but Alderman Parham disagreed, seeing this project as a traffic safety issue.

**VI.D.23 Consideration of a Resolution Approving a Lease Agreement with 211 Contact Concern for Office Space in the V.O. Dobbins Complex (AF: 199-2010).**

**VI.D.24 Consideration of a Resolution Approving a Lease Agreement with Mountain Region Speech and Hearing for Office Space in the V.O. Dobbins Complex (AF: 200-2010).**

**VI.D.25 Consideration of a Resolution Approving a Lease Agreement with The ALS Association Tennessee Chapter for Office Space in the V.O. Dobbins Complex (AF: 201-2010).**

**VI.D.26 Consideration of a Resolution Approving a Lease Agreement with Susan G. Komen for the Cure for Office Space in the V.O. Dobbins Complex (AF: 202-2010).**

**VI.D.27 Consideration of a Resolution Approving a Lease Agreement with Kingsport Tomorrow for Office Space in the V.O. Dobbins Complex (AF: 203-2010).** Mr. McCartt provided information on the 10 nonprofits moving into the renovated community center, five of which are ready for Board action on this agenda. The other five will be included on the

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July 6, 2010 meeting agenda. Upper East Tennessee Human Development Agency (UETHDA) may not be ready by that time but hope to be. He explained that the lease agreement amounts are computed on a \$5.10 per square foot cost that will cover various utilities and include a provision for an annual review to monitor and deal with increased utility costs to the City.

Alderman Marsh expressed his frustration with these lease arrangements which he believes amount to government inadvertently attacking the private sector by drawing leases from downtown properties, providing rental space and, possibly, even subsidizing these nonprofits. He mentioned his dismay at this overall project, including the many overruns that have taken place since the initial concept.

Mr. McCartt indicated that tenants will begin moving in on July 15, 2010 and a ribbon-cutting ceremony is anticipated sometime mid-August.

**VI.D.28 Consideration of a Resolution to Authorize Withdrawal from the Tennessee Consolidated Retirement System (TCRS) (AF: 208-2010).** City Manager Campbell explained the reasons this action was offered for Board consideration, briefly going over recent discussions and decisions made by this Board. He sees this withdrawal as putting TCRS on notice to allow the BMA to consider the impact of a 5.5% assumption which he believes is more rational than the 7.5% predicted and which rate adjustment the actuarial was asked to review and advise. This action must be taken, if desired, prior to the end of the 2010 fiscal year. If approved, it would allow the City to take a different look at the TCRS retirement plan and keeps options open that will currently cease on June 30<sup>th</sup>. Mr. Campbell stated that Johnson City's TCRS rate went up 20% and they are withdrawing from TCRS.

The Board discussion that followed confirmed that, no matter the outcome of this action item, the City will begin a mandatory five percent (5%) contribution for affected employees in October 2010. Board members rehashed previous percentage assumptions involving defined benefit versus defined contribution and the projected outcomes and the possible effect on City employees' retirement benefits.

City Manager Campbell stated, speaking from a budget standpoint, the rate difference may result in a difference of around \$700,000 - \$900,000 per year which might affect employees' salary increases. Alderman Parham added that most major businesses cannot afford a plan such as TCRS offers and have been moving to the defined benefit plans. He, along with Alderman Marsh and Mayor Phillips, support approval of the withdrawal option in order to keep the City's options open which, if withdrawal is not approved, will require a two-year wait before being able to consider withdrawal again. Vice-Mayor Mallicote disagreed, stating he has met with many employees who are very concerned about changes being made to their retirement benefits.

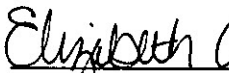
***At 6:00 p.m., after completing review of the agenda items, Mayor Phillips recessed for a short dinner break and requested all come back to close the meeting which was reconvened at 6:40 p.m. to allow public and board comment.***

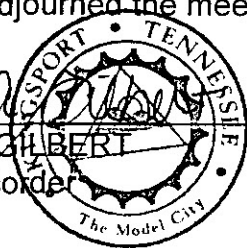
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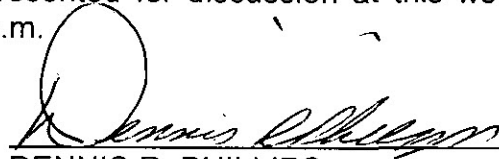
**BOARD COMMENT.** None

**PUBLIC COMMENT.** None.

**5. ADJOURN.** Seeing no other matters presented for discussion at this work session, Mayor Phillips adjourned the meeting at 6:41 p.m.

  
ELIZABETH A. GILBERT  
Deputy City Recorder

The seal of Kingsport, Tennessee, is circular. It features a central gear-like design with a star in the middle. The words "KINGSPORT" and "TENNESSEE" are written around the top inner edge of the seal, and "The Model City" is written around the bottom inner edge.

  
DENNIS R. PHILLIPS  
Mayor